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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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APPLICATION E-01575A-10-0308

DOCKET NO. E-01575A-10-\_\_\_\_\_

IN THE MATTER OF SULPHUR SPRINGS  
VALLEY ELECTRIC COOPERATIVE,  
INC.'S APPLICATION FOR APPROVAL OF  
ITS 2011 REST PLAN AND TARIFF.

Pursuant to A.A.C. R14-2-1801, *et seq.*, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC"), through counsel undersigned, hereby requests approval of its 2011 REST Plan and Tariff. In support of this Application, attached are the following documents:

- 2011 REST Plan including Tariff
- Supplemental Information in Support of Application

SSVEC respectfully requests that the Commission consider and approve this Application in conjunction with its *Application for Authorization to Incur Debt to Finance its 2010 – 2012 Construction Work Plan and for Related Approvals* contemporaneously filed in a separate docket.

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Arizona Corporation Commission  
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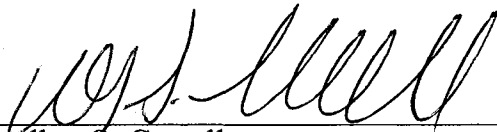
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RESPECTFULLY SUBMITTED this 23rd day of July, 2010.

SNELL & WILMER L.L.P.

By



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ORIGINAL and 13 copies filed this  
23rd day of July, 2010, with:

Docket Control  
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1200 West Washington  
Phoenix, Arizona 85007

COPIES of the foregoing hand-delivered  
this 23rd day of July, 2010, to:

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By





**Sulphur Springs Valley  
Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative 

# 2011 REST Plan

Submitted to the Arizona Corporation Commission on July 23, 2010

As required by

**A.A.C. R14-2-1814**

Submitted by:  
Jack Blair  
Chief Member Services Officer  
520-515-3470

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## Executive Summary

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Sulphur Springs Valley Electric Cooperative, Inc. (“SSVEC” or “Cooperative”) will use surcharge dollars, any proceeds from consumer participation in the Green Energy Purchase Program, the SunWatts Loan program, and other potential sources (principally from approved grants and Federal clean renewable energy bonds), to fund its renewable program. These programs include both residential and commercial photovoltaic and wind projects, distributed generation incentives, and large-scale renewable installations, including possible participation in multi-utility joint projects. Surcharge funds will also be used to pay for the administration, advertising, and promotion of these programs, as well as educational activities.

The primary parts to the SSVEC 2011 REST Plan, which is called SunWatts, are:

- ✓ The Sun Watts Green Contribution Program
- ✓ The Sun Watts Residential Incentive Program
- ✓ The Sun Watts Commercial Incentive and Performance Based Incentives
- ✓ Debt Service for the 2009 School Program
- ✓ The Sun Watts Large-Scale Generating Program
- ✓ Sun Watts Residential and Small Business Loan Program
- ✓ Sun Watts Loan Program for Large (over 20 kW) Systems
- ✓ Solar Water Heating
- ✓ Other Renewable sources from the UCPP guidelines
- ✓ Additional Program incentives and grants
- ✓ NET Metering
- ✓ Calculating the 125% capacity
- ✓ Third Party Assignment of Incentives

Each of these programs components and the administration and budget guidelines, are presented in detail below.

Additionally, as required by ACC Decision No. 71794 (July 12, 2010), Section 17.0 below sets forth the renewable programs designed specifically for the area served by the V-7 Feeder to the Sonoita area, as well as the Cooperative’s plans to eliminate the current over-subscription to its distributed generation programs, not otherwise addressed herein.

## **1.0 SUN WATTS GREEN CONTRIBUTION PROGRAM**

SSVEC will continue to offer our Sun Watts Green Power Contribution Program. In this program, members may elect to contribute additional dollars on their bills to be used to fund various renewable energy programs.

## **2.0 THE SUN WATTS RESIDENTIAL INCENTIVE PROGRAM**

The SunWatts incentive program pays customers One Time Incentives (“OTT”) or Performance Based Incentives (“PBI”) for the installation of qualifying photovoltaic (“PV”) and small wind installations. This program will also be used in support of the Customer Self-Directed Renewable Energy Option as described in A.A.C. R14-2-1809. The Customer is also eligible to participate in NET Metering. To qualify for either incentive, the system must be no more than 125% of system load measured in kWh as determined in Section 12 herein.

### **2.1 For Photovoltaic systems**

For Photovoltaic (PV) systems less than 10 kW, SSVEC will pay \$2.00 per installed watt OTI, up to 40% of the total cost of the system or up to 50% of the installed cost using the PBI as listed below. For systems over 10kW or with a system cost exceeding \$50,000, SSVEC will pay the PBI only, with a maximum total incentive payment of 50% of the system cost. The customer will provide a meter socket to record the system production if they choose to use a PBI. For PV systems that are leased (or rented) the Cooperative has no expectation that the systems will be there long term and our Incentive Program was designed to lower the purchase cost of a system for the homeowner. For leased (or rented) systems where the customer does not own or maintain the system, we will only pay a PBI but at the Off-Grid incentive level with a cap of 50% of the total lease cost.

<b>Performance Based Incentive</b>	<b>10-Year REC and Payment Agreement (\$/kWh)</b>	<b>15-Year REC and Payment Agreement (\$/kWh)</b>	<b>20-Year REC and Payment Agreement (\$/kWh)</b>
Grid Connected	0.182	0.168	0.162
Off-Grid	0.109	0.101	0.065

## 2.2 DC systems for Water Pumping

For off- grid DC systems (for water pumping only) under 1,500 watts, SSVEC will pay the PBI only and it will be calculated rather than metered. The calculation will assume 6 hours of production per day for fixed arrays and 8 hours of production for tracked arrays. For off-grid DC systems in excess of 1,500 watt, the customer will have to provide the DC watt-hour meter but will be reimbursed at the on-grid rate for PBI. Off-grid PBI will be paid twice per year (January & July).

## 2.3 For Wind systems

SSVEC will pay up to 50% of the installed cost using the PBI listed below. The customer will provide a meter socket for the meter to record the output of the wind generated renewable system. Off grid wind systems production meter will be read twice per year in December and June, and payments will be made in the January and July following the reading.

<b>Performance Based Incentive</b>	<b>10-Year REC and Payment Agreement (\$/kWh)</b>	<b>15-Year REC and Payment Agreement (\$/kWh)</b>	<b>20-Year REC and Payment Agreement (\$/kWh)</b>
Grid Connected	0.182	0.168	0.162
Off-Grid	0.109	0.101	0.065

Off-grid PBI will be paid twice per year (January & July)

### **3.0 COMMERCIAL ONE TIME AND PERFORMANCE BASED INCENTIVES**

The SunWatts incentive program pays C&I (non-residential) customers either OTI or PBI for the installation of qualifying photovoltaic (PV) and small wind installations. This program will also be used in support of the Customer Self-Directed Renewable Energy Option as described in A.A.C. R14-2-1809. The customer is also eligible to participate in NET Metering. To qualify for either Incentive, the system must be no more than 125% of system load measured in kWh as determined in Section 12 herein.

#### **3.1 For grid connected systems less than 50kW**

For systems with less than 10kW of DC capacity the customer may choose either the OTI or PBI outlined below. Systems over 10kW and less than or equal to 50kW, or with a cost higher than \$50,000, will be paid by the PBI only, with a maximum total incentive payment of 50% of the system cost. Systems over 50kW are not eligible for either incentive without approval of the ACC (see Section 3.4). For PV systems that are leased (or rented) the Cooperative has no expectation that the systems will be there long term and our Incentive Program was designed to lower the purchase cost of a system for the customer. For leased (or rented) systems where the customer does not own or maintain the system we will only pay a PBI but at the Off-Grid incentive level using the total lease cost to determine the 50% cap.

**One Time Incentive:** \$1.25 per DC watt up to 45% of system cost or \$50,000 max.

Or

<b>Performance Based Incentive</b>	<b>10-Year REC and Payment Agreement (\$/kWh)</b>	<b>15-Year REC and Payment Agreement (\$/kWh)</b>	<b>20-Year REC and Payment Agreement (\$/kWh)</b>
Grid Connected	0.182	0.168	0.162
Off-Grid	0.109	0.101	0.065

Customer will provide the meter socket for the meter to record the PBI kWh production. PBI will be paid monthly as a bill credit. The Cooperative will provide the meter.

### **3.2 Off-grid C&I systems**

SSVEC will pay an OTI of \$1.00 per watt up to 40% the system cost or the PBI as listed above.

### **3.3 System Sizing**

If a commercial customer chooses to install a system that is larger than the customers' connected load as determined below in Section 12 (calculating the 125% capacity to qualify for OTI or PBI.), the excess energy either can be sold by the customer to the wholesale market, or, if SSVEC needs the power, it may be purchased by SSVEC under a negotiated Purchased Power Agreement ("PPA"). If the system qualifies as QF under FERC rules, SSVEC may purchase the power at its avoided cost. In either situation, the system will not qualify for an OTI or PBI.

### **3.4 For systems over 50kW**

Systems over 50kW are not eligible for any incentive or payment pursuant to SSVEC's 2011 REST Plan. Historically we have not had requests for systems over 50kW and this is reflected in our budget for incentives. To meet the unexpected need for this level of funding, we would forward any such request to be reviewed and approved by ACC Staff for possible consideration by the ACC to modify current or to implement in future REST Plans.

### **4.0 DEBT SERVICE FOR THE 2008 SCHOOLS PROJECT**

As part of the 2008 REST program the ACC approved a CREBs loan. The repayment budget for CREBs is \$1,045,000 per year.

### **5.0 SUNWATTS LARGE-SCALE GENERATING PROGRAM**

To address the need for utility grade and size renewable projects, we have received a CREBs allotment that in today's pricing market should be enough to install a system of approximately 1MW at the proposed Sonoita Substation. Budgeted funds remaining after payment of this CREBS loan would be used for small PPA purchases if any opportunities presented themselves or transferred to residential incentives. The ACC, as part of the SSVEC 2010 REST program, approved \$650,000 budget for this project. SSVEC has also submitted the CREB's loan as part of its loan package which was submitted on July 23, 2010.

## **5.1 Independent Power Production projects**

If a developer wishes to install a renewable generation facility (*i.e.*, a facility without any existing load being served by SSVEC) in SSVEC service area, they must contact SSVEC and coordinate the efforts so that any and all system improvements needed to “wheel” the power to a buyer other than SSVEC is paid by the developer. For this program year, SSVEC is not in the market for purchasing any renewable energy due to the backlog of incentives for residential and business customers.

## **6.0 SUN WATTS RESIDENTIAL AND SMALL BUSINESS REVOLVING LOAN PROGRAM**

SSVEC will continue to offer its 3% revolving loan program for residential and small business at \$2.00 per watt. The loan caps will remain at \$8,000 for residential and \$20,000 for small businesses and can be no more than 25% of the cost of the project. Loan amounts up to \$10,000 are repayable over five years and loans in the amount of \$10,001 or more will be repayable over 10 years. These will be secured loans and customers must agree to place liens against their property.

## **7.0 SUN WATTS LOAN PROGRAM FOR LARGE (OVER 20 KW) SYSTEMS**

SSVEC will offer a revolving loan program for large (over 20 kW) systems for our commercial and industrial customers. These customers will be able to borrow \$1.00 a watt up to \$75,000 or 25% of the cost of the project whichever is less. The interest rate on these loans will be 3%. Payments and interest from the Sun Watts Loan Program will be remitted back to the REST fund. Payments would be

monthly and payable over a 60, 90, or 120 month period. These will be secured loans and customers must agree to place liens will be placed against their property.

## **8.0 SOLAR WATER HEATER PROGRAM**

SSVEC will pay an incentive equal to \$0.70 per kWh of estimated energy saved during the system's first year of operation (this conforms to the Uniform Credit Purchase Program ("UCPP") amount) based on the OG-300 ratings of the Solar Rating and Certification Corporation. Only OG-300 certified solar systems are eligible for the Sun Watts Incentive. A list of OG-300 certified Solar Systems is available at the Solar Rating and Certification Corporation's website at [www.solar-rating.org](http://www.solar-rating.org). In addition, the solar water heating system will be eligible for the Sun Watts loan program up to a maximum of 25% of the system cost. Residential and commercial water heater systems will be covered. Solar swimming pool heating systems are not eligible. SSVEC highly recommends that systems be installed by licensed contractors but if the member chooses to do a "self install", the local building inspector must approve the installation to qualify for the SunWatts Incentive.

## 9.0 UCPP APPROVED TECHNOLOGIES

SSVEC will use the incentive, specifications, and criteria developed by the UCPP Working Group as the basis for PBIs for alternative renewable energy projects. Solar Day Lighting will be paid at the end of the 12 month measurement and validation period that quantifies the first year savings.

Technology	OTI	PBI
Solar Day lighting	\$.18 per kWh for first year savings	
Geothermal Electric Thermal		\$.022 per kWh over 10 years \$.044 per kWh over 10 years
Biogas/Biomass Electric Thermal Cooling CHP-Electric CHP-Thermal		\$.054 per kWh over 10 years \$.014 per kWh over 10 years \$.029 per kWh over 10 years \$.032 per kWh over 10 years \$.016 per kWh over 10 years
Solar Space Cooling		\$.116 per kWh over 10 years

PBI is limited to 45% of the total cost of the project

Incentives are subject to revision based on the final approved version of the UCPP.

## 10.0 ADDITIONAL PROGRAM INCENTIVES AND GRANTS

- SSVEC will continue our partnership with the Habitat for Humanity Program to offer renewable energy options to low-income families in cooperative service territories. SSVEC will contribute up to \$15,000 dollars to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes and will also assist in finding local renewable energy equipment dealers who are willing to donate products and services. The type and amount of equipment will vary from project to project.

Up to two of these projects will be undertaken each year at a cost not to exceed the amount budgeted in the annual REST budget. If Habitat does not have a project, these funds will be used to pay residential incentives.

- SSVEC will provide a \$1,200 builder advertising incentive, per model home, for builders who install renewable technologies on their model homes.
- SSVEC will continue to fund a grant program for teachers in our service territory for the development of renewable curricula for the classroom. SSVEC's budget contemplates making up to ten \$500.00 grants per year.

## **11.0 NET METERING**

SSVEC has a NET Metering tariff and all customers with renewable sources and approved interconnections are eligible for NET Metering

## **12.0 CALCULATING THE 125% CAPACITY TO QUALIFY FOR OTI OR PBI**

One goal in promoting renewable energy is to have homes or business become a “net zero” facility where the customer produces all their own kWh needs for the year. This is made evident in the ACC's Net Metering rules where the 125% sizing limit is stated. To further support the sizing requirements of Net Metering, this sizing limit will also be applied to incentives. Since PV production is measured in kWh, it is appropriate to use historic kWh as the basis for determining the 125% capacity instead of using peak data or service capacity in kW. The load factor for wind systems will be based on a 30% production factor.

- Residential Systems, of 10 kW or smaller, qualify for either the OTI or PBI.

- Note that SSVEC will help the customer size a Net Zero system even if it is less than 10kW.
- For residential systems over 10kW and all C&I systems, the highest 12 months (calendar year) kWh consumption in the previous three years will be divided by 2000 (assumes a 5.5 hours of production per day) to determine the 100% capacity level in kW which will achieve a “net zero” home or business. This figure will then be multiplied by 1.25 to obtain the 125% sizing factor. The 125% sizing factor will then be applied rounded to the nearest ½ kW.
- If historic data is not available, the customer will supply connected load data for analysis and approval by SSVEC.

### **13.0 THIRD PARTY ASSIGNMENT OF INCENTIVES**

The customer may choose to assign their incentives to a third party. The customer must sign a “third party release form” and notify the Cooperative when the job is completed to their satisfaction. Payment will then be scheduled based on the customer’s position on the reservation list.

### **14.0 ADMINISTRATION OF THE REST PLAN**

#### **14.1 Annual Reporting and Plan Development**

Decision No. 71458 permits SSVEC to file its annual compliance report by March 1<sup>st</sup> for the prior calendar year

## **14.2 Advertising, Promotion, and Education**

SSVEC works closely with the other Arizona cooperatives in developing and executing the REST/Sun Watts program. SSVEC advertises in a variety of channels, including, but not limited to: bill inserts; bill messages; *Currents* (by monthly magazine); posters; television; radio; print; participation in local events (annual meetings, county fairs, etc); and the SSVEC website. Special note: Advertising is limited to only “zero cost” media (*i.e.*, website and information folders) until the backlog of incentives to members has been reduced to zero.

SSVEC also works in partnership with other electric providers in the state of Arizona for the Arizona Utilities for Renewable Energy Education (“AZURE”) initiative. AZURE is jointly developing renewable energy education material for teachers and educators across Arizona. The group’s website is [www.azureeducation.com](http://www.azureeducation.com).

In order to ensure that SSVEC members receive maximum value for the REST/Sun Watts programs, SSVEC will not use more than 10% of the total surcharge funds collected for administration, research, and development, and advertising expenses.

## **15.0 ESTIMATED RESULTS/BUDGET/TARIFFS**

SSVEC’s current REST tariff (attached as Exhibit 1) was approved by the ACC in 2009 for the 2010 REST Plan. For the proposed 2011 REST tariff (attached Exhibit 2) we, propose to increase the collections and budget to lower our shortfalls from prior plans.

SSVEC would like to retain the flexibility to shift budget allocations as recommended by the ACC Staff in the 2009 REST plan to pay as many OTI payments as possible.

### Proposed 2011 REST budget

Estimated 2011 Collections	\$	3,301,791	
Estimated 2009 carry over	\$	10,000	
Total Budget	\$	3,311,791	
Loan Program	\$	200,000	6%
Program Costs (Admin, Ads, etc)	\$	225,000	7%
Habitat Project	\$	15,000	0.5%
CREB Bonds for Schools	\$	1,040,000	31%
Large Scale Renewables (CREBs) or PPA	\$	650,000	20%
SunWatts Residential Rebates	\$	827,254	25%
SunWatts Commercial Rebates	\$	354,537	11%
Total Budget	\$	3,311,791	100%

*Because SSVEC owns the PV systems under the CREBs portion of the budget (PV for Schools) these credits will be allocated to meet the A.A.C. R14-2-1805 distributed generation goals. For 2011, we have not budgeted additional funds to attract additional distributed generation projects in our system to further increase the A.A.C. R14-2-1805 credits until the backlog of OTI payments are finished.*

## 15.1 Budget Projections

### REST 5 - Year Budget Projections

	Budget Year				
	2011	2012	2013	2014	2015
REST Revenue	\$ 3,311,791	\$ 3,344,909	\$ 3,378,358	\$ 3,412,142	\$ 3,480,384
Estimated carry over from prior year	\$ 5,000	\$ 25,082	\$ 29,216	\$ 22,714	\$ 23,700
Total REST Budget	\$ 3,316,791	\$ 3,369,991	\$ 3,407,574	\$ 3,434,855	\$ 3,504,084

#### Projected Budget

Loan Program Funding (7%)	\$ 232,000	\$ 234,000	\$ 236,000	\$ 239,000	\$ 244,000
Program Costs (Admin, Ads, etc)	\$ 227,000	\$ 228,000	\$ 227,000	\$ 226,000	\$ 225,000
Habitat Project	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
CREB Bonds for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Large Scale Renewables (CREBs) or PPA	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000
SunWatts Residential Rebates	\$ 688,675	\$ 718,794	\$ 740,744	\$ 755,913	\$ 795,051
SunWatts Commercial Rebates	\$ 459,116	\$ 479,196	\$ 493,830	\$ 503,942	\$ 530,034
<b>Total Projected Budget</b>	<b>\$ 3,316,791</b>	<b>\$ 3,369,991</b>	<b>\$ 3,407,574</b>	<b>\$ 3,434,855</b>	<b>\$ 3,504,084</b>

#### Projected Expenses

Loan Program	\$ 139,200	\$ 163,800	\$ 165,200	\$ 167,300	\$ 170,800
Interest from loans	\$ (7,934)	\$ (11,794)	\$ (16,142)	\$ (20,650)	\$ (21,082)
Program Costs (Admin, Ads, etc)	\$ 226,125	\$ 226,690	\$ 226,124	\$ 225,558	\$ 224,994
Habitat Project	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
CREB Bonds for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Large Scale Renewables (CREBs) or PPA	\$ 637,000	\$ 637,000	\$ 643,500	\$ 643,500	\$ 643,500
SunWatts Residential Rebates	\$ 915,937	\$ 905,681	\$ 911,115	\$ 907,096	\$ 954,061
SunWatts Commercial Rebates	\$ 321,381	\$ 359,397	\$ 395,064	\$ 428,351	\$ 450,529
<b>Total Expense Projections</b>	<b>\$ 3,291,709</b>	<b>\$ 3,340,775</b>	<b>\$ 3,384,860</b>	<b>\$ 3,411,155</b>	<b>\$ 3,482,802</b>

<b>End of Year Balance #</b>	<b>\$25,082</b>	<b>\$29,216</b>	<b>\$22,714</b>	<b>\$23,700</b>	<b>\$21,282</b>
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## 15.2 Estimated Impact of Tariff on Customers

Rate Class	Monthly Average per Bill	Percentage Reaching Cap	Collection by Rate Class
Rate R	\$ 3.11	74.4%	\$ 121,205
Rate G*	\$ 10.86	1.8%	\$ 80,144
Rates I	\$ 36.50	61.8%	\$ 19,802
Rates P	\$ 139.15	45.0%	\$ 53,397
Rate C	\$ 300.00	100.0%	\$ 600

\* This rate class includes private wells that will never reach the cap and lower both the average collected and percentage reaching the cap.

## 15.3 Sample Customer Impacts

Sample Customers	Average kWh	Monthly Bill Impact	
		2010	2011
Average Residential Customer	800	\$3.49	\$3.49
Barber Shop	3,541	\$28.10	\$34.99
Department Store	161,760	\$200.00	\$200.00
Mall (less tenants)	61,872	\$200.00	\$200.00
Retail Video Store	12,843	\$85.00	\$85.00
Large Hotel	30,700	\$200.00	\$200.00
Large Building Supply and Hardware	157,707	\$200.00	\$200.00
Motel	30,227	\$200.00	\$200.00
Large Office Building	78,120	\$200.00	\$200.00
Hospital	360,075	\$200.00	\$200.00
Supermarket	117,860	\$200.00	\$200.00
Convenience Store	18,403	\$146.06	\$181.82
School	67,967	\$200.00	\$200.00
Irrigation Customer	51,745	\$50.00	\$50.00

## 16.0 REST GOALS

### SSVEC Goals as a percentage of kWh sales and

### Renewable capacity needed to meet goals

Renewable Energy Goals						
Year	Retail Sales (MWh) from the 2008 PRS	Renewable Goal (%)	Renewable Energy Needed (MWh)	Renewable Capacity needed (MW)	Renewable MW Installed	Installed Systems
2005 - 2007	796,093	.5%	3,980	1.8	.14	102
2008	819,072	.5%	4,095	1.9	.31	90
2009	886,759	1.00%	8,868	4.0	3.1	264
2010	917,376	1.25%	11,467	5.2	4.5*	
2011	945,922	1.50%	14,189	6.5		
2012	973,679	1.75%	17,039	7.8		
2013	998,033	2.00%	19,961	9.1		
2014	1,023,514	2.25%	23,029	10.5		
2015	1,047,502	2.50%	26,188	12.0		
2016	1,073,556	3.00%	32,207	14.7		
2017	1,097,220	3.50%	38,403	17.5		
2018	1,122,319	4.00%	44,893	20.5		
2019	1,149,655	4.50%	51,734	23.6		
2020	1,176,514	5.00%	58,826	26.9		
2021	1,202,185	5.50%	66,120	30.2		
2022	1,228,846	6.00%	73,731	33.7		
2023	1,254,640	6.50%	81,552	37.2		
2024	1,281,112	7.00%	89,678	40.9		
2025	1,305,392	7.50%	97,904	44.7		

\*Estimated

A.A.C R14-2-1814 allows the Cooperative to submit a plan as a substitute from the percentage of kWh sold requirements for the investor-owned utilities as set forth in A.A.C. R14-2-1804 and R14-3-1805. SSVEC is voluntarily setting goals in the form of a percentage of sales to conform to the reporting requirements of the investor-owned utilities.

## **17.0 COMPLIANCE WITH ACC DECISION NO. 71794**

ACC Decision 71794 provides on page 25, lines 1-6, the following:

*IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. shall file its 2011 Renewable Energy Standard Tariff Implementation plan as soon as possible, but in no case later than July 30, 2010. The Plan shall contain renewable programs designed specifically for the area served by the V-7 Feeder and shall also contain a detailed plan on how Sulphur Springs Valley Electric Cooperative, Inc. plans to deal with and eliminate the current over-subscription to its distributed generation programs.*

Although these issues are generally addressed above, this Section is intended to further demonstrate SSVEC's compliance with this requirement.

### **17.1 Compliance with July 30, 2010, Filing Deadline**

SSVEC is filing this 2011 REST Implementation Plan on July 23, 2010 in advance of the filing deadline..

### **17.2 Renewable Programs for the V-7 Feeder Area**

In Section 5.0 above, SSVEC outlined the plans to include a 1MW PV system funded by the CREB's loan program on the property for the Sonoita substation project.

Jay Lane of Jay Lane and Associates, SSVEC's grant writer, has already conducted a grant writing class for SSVEC members in the V-7 Feeder area which was funded by SSVEC. SSVEC will again work with the community to see if there is interest in another class. Mr. Lane and Dr. Linda Kennedy from the Audubon Research Ranch, are currently working in partnership on a renewable energy grant. Mr. Lane will also continue to work with interested businesses and non profits in the V-7 area on grant funding availability.

We will continue to support individual renewable projects for members served by the current V7 Feeder with our 2011 REST Plan. SSVEC will also schedule community meetings in the V-7 area to discuss both renewable energy programs and status, as well as energy efficiency programs that are available from SSVEC.

### **17.3 Plan to Address Over-Subscriptions**

SSVEC's proposed 2011 REST Tariff increases program funding by 10% (an increase of approximately \$300,000 versus the 2010 REST plan) of which all of the increase is dedicated to reducing the over-subscription of incentives (this is on top of the 200% plus increase or approximately \$1,600,000 that was in our 2010 plan versus 2009 REST plan). Additionally, included in our *Supplemental Information in Support of Application*, is Table #1 where we considered four other surcharge funding levels. Two concepts were used in exploring other options, one was to increase the residential cap slightly (with corresponding increased in the other caps) to increase program funding. The second concept worked from the other direction in determining what the caps and surcharge would have to be to add \$1 million to the proposed budget.

Alternative #1 and #2 raised the residential caps by 20 cents and 40 cents, respectively, with proportional increases to the other rate classes. As a result of the consumer complaints we received by last year's change in the residential cap, we felt that just increasing the Surcharge level (by 24%) and getting a 10% increase in funding was prudent.

Alternative #3 and #4 were added to determine the amount of increase that would be needed to increase the program funding by an additional \$1 million. Alternative #3 kept the caps at today's level and increase the surcharge (by 213%) to reach the total budget goal, and #4 kept the surcharge the same and increased the caps (62% increase) as needed to reach the goal.

In 2010 we were able to add a \$228,000 grant from the State of Arizona to supplement our incentive program, we will continue to use our grant writer to search and apply for any and all grants to support our REST program. The details may be found in our *Supplemental Information in Support of Application*.

SSVEC has also decreased the incentive levels for all of our programs as part our 2011 REST Plan which will result in more projects receiving incentives. We will continue to use the grant writing services of Jay Lane and Associates to obtain additional funding from Federal and State sources to augment the REST funding collected thru the Tariff.

SSVEC also intends to do the following:

- Continue to conduct community meetings throughout our service territory where renewable energy and energy efficiency programs will be discussed;
- Continue to monitor on a monthly basis total tariff collections versus budget and when possible shift monies as we currently do from overfunded line items to underfunded line items. The largest of these budget items would be the 1MW solar project at the new Sonoita substation which has been budgeted at \$650,000 and construction will not commence until the Summer

or Fall of 2011. SSVEC anticipates that it will be able to move \$400,000 to \$450,000 from this project to incentives;

- Continue to work with our Federal and other elected officials to secure additional funding via an interest free loan or grant in order to reduce the number of members on the waiting list; and
- Evaluate and monitor our REST program in early 2011 and, if needed, we will submit our 2012 REST plan to the ACC early.

# SSVEC CURRENT RES TARIFF

# EXHIBIT 1

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## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

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Sulphur Springs Valley Electric Cooperative  
PO Box 820  
Willcox, Arizona 85644

### SCHEDULE REST Renewable Energy Surcharge Tariff

Effective: For electrical usage beginning on or about January 1, 2010 and billed beginning with the February 2010 cycle billings.

#### Applicability

The Renewable Energy Surcharge Tariff is applicable to all consumers located along existing electric distribution lines of the Cooperative, who use the Cooperative's standard service for single- or three-phase service. Surcharges under this schedule will be in accordance with the Cooperative's general rules, terms and conditions, available at the Cooperative's office, which general rules or subsequent revisions thereof are a part of the schedule as if fully written herein.

#### Rate

\$0.007937 per kWh provided by the Cooperative

Subject to the following maximum per month:

Residential Consumers (Rates R, RT)	\$
3.49	
General Service (Rates GS, GT, non-residential rates not listed below)	\$ 85.00
Irrigation Customers (Rates CD, CW, CD-Large, IL, IS)	\$ 50.00
Commercial & Industrial (Rates P, IP, PRV, PT)	\$200.00
Industrial (Demand over 3MWs)	\$300.00

#### Schedule of fee's for SunWatts inspections:

1 <sup>st</sup> inspection	no charge
2 <sup>nd</sup> inspection (if needed*)	\$ 75.00
3 <sup>rd</sup> and subsequent inspections (if needed*)	\$150.00 ea.

\* additional inspections charges are subtracted from any incentives or PBI and only required when violations of the inter-connection requirements, the National Electric Code, or safety issues are found during the current inspection that cannot be corrected during the first or subsequent inspection.  
Inspection fee to be returned to the REST funds.

# SSVEC PROPOSED RES TARIFF

# EXHIBIT 2

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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

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Sulphur Springs Valley Electric Cooperative  
PO Box 820  
Willcox, Arizona 85644

## SCHEDULE REST Renewable Energy Surcharge Tariff

Effective: For electrical usage beginning on or about January 1, 2011 and billed beginning with the February 2011 cycle billings.

### Applicability

The Renewable Energy Surcharge Tariff is applicable to all consumers located along existing electric distribution lines of the Cooperative, who use the Cooperative's standard service for single- or three-phase service. Surcharges under this schedule will be in accordance with the Cooperative's general rules, terms and conditions, available at the Cooperative's office, which general rules or subsequent revisions thereof are a part of the schedule as if fully written herein.

### Rate

\$0.00988 per kWh provided by the Cooperative

Subject to the following maximum per month:

Residential Consumers (Rates R, RT)	\$ 3.49
General Service (Rates GS, GT, non-residential rates not listed below)	\$ 85.00
Irrigation Customers (Rates CD, CW, CD-Large, IL, IS)	\$ 50.00
Commercial & Industrial (Rates P, IP, PRV, PT)	\$200.00
Industrial (Demand over 3MWs)	\$300.00

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# Sulphur Springs Valley Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

## In the Matter of Sulphur Springs Valley Electric Cooperative, Inc. Application for Approval of its 2011 REST Plan and Tariff

### *Supplemental Information in Support of Application July 23, 2010*

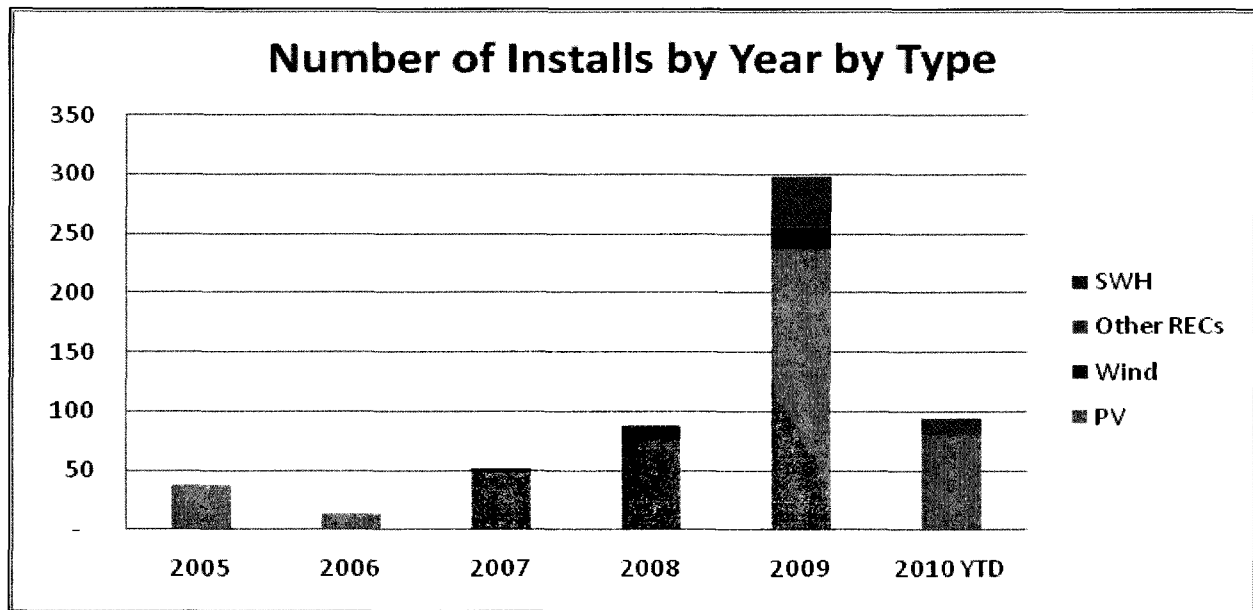
This Application is for the Arizona Corporation Commission's ("Commission") approval of Sulphur Springs Valley Electric Cooperative, Inc.'s ("SSVEC" or "Cooperative") 2011 REST Plan ("2011 Plan" or "Sun Watts") required under the A.A.C. R14-2-1814, as well as the Commission's July 12, 2010, Decision No. 71463.<sup>1</sup> Set forth below is a brief history of the SSVEC EPS/REST Plan, 2009/2010, the status of the reservation program including steps taken by SSVEC to reduce the wait time for the reservation system, and the key elements of the 2011 Plan.

### **BRIEF HISTORY**

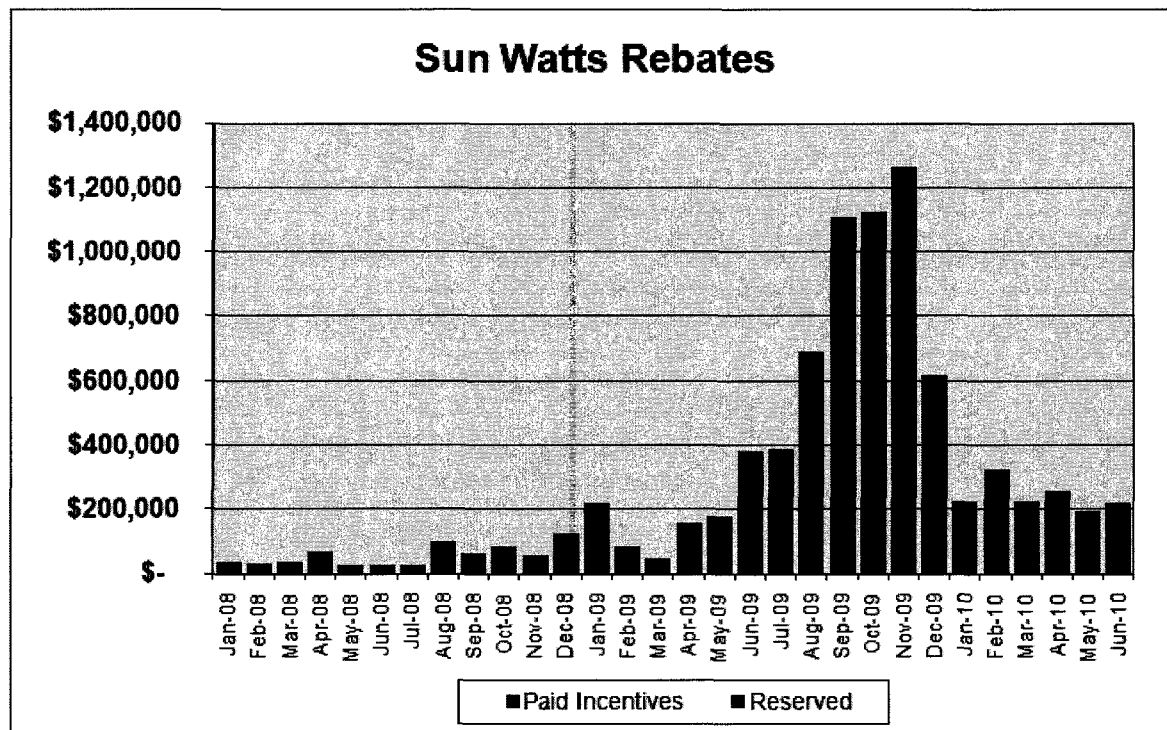
From the inception of the Sun Watts program in 2005 until the first quarter of 2009, SSVEC collected more in tariff money to support the REST program than was paid out in rebates. In fact, when the 2009 plan was submitted and subsequently approved by the Commission, SSVEC had a carryover from 2008 of \$1,209,296. Therefore, the REST program, in relation to tariff collections and rebates, remained the same as the prior year. Listed and also shown graphically below is the total number of installed projects by year to include 2010 year to date (as of July 12, 2010):

	PV		Wind		Other		Solar WH	
	Count	Watts	Count	Watts	Count	RECs	Count	RECs
2005	37	35,593						
2006	14	16,790						
2007	49	99,545	3	15,000				
2008	77	149,416	10	22,000	1	1,604,129		
2009	237	1,769,013	18	56,690	1	1,047,000	42	102,205
2010 YTD	81	322,285	-	-	1	1,136,048	12	31,329
Totals	495	2,392,642	31	93,690	2	3,787,177	54	133,534

<sup>1</sup> Decision at page 25, lines 1-6.

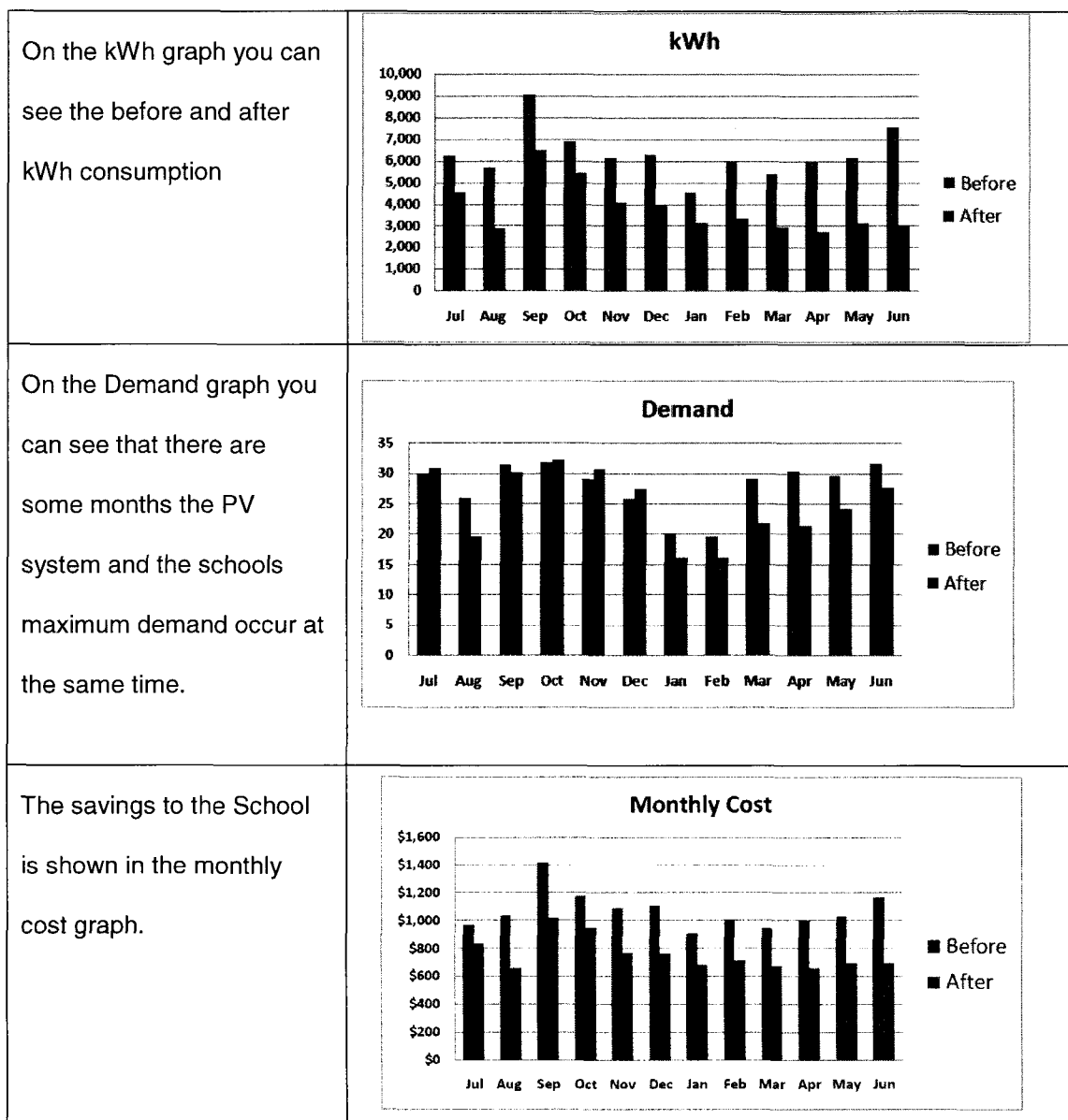


In the first quarter of 2009, SSVEC noticed an increase in the number of rebates being requested, as well as the size of the systems. The Cooperative began monitoring the situation closely, as well as discussing with our members why this unexpected increase was occurring. It was determined that changes in the Federal and State tax codes had made renewable energy a much more attractive proposition than it had been, and that the solar installers were aggressively selling these changes. In July of 2009, SSVEC implemented a reservation program for renewable rebates (we informed both the renewable energy installation companies, wrote a letter to our members, and posted the information on our website) and submitted our 2010 REST plan to the Commission early. The 2010 plan significantly increased the tariff amount collected to support the program (increase of approximately \$1,600,000 which equates to over 200% from 2009) while reducing the rebate amounts. Once word of the new proposed SSVEC REST program was public, SSVEC saw a large surge in members requesting rebates so that they could receive the older more lucrative amounts. Below is a month by month graph from January 2009 to June 2010:



In 2009 and the first 6 months of 2010, SSVEC accomplished the following:

- Installed 319 PV systems
- Installed 18 wind systems
- Installed 54 hot water systems
- Brought the Solar for School project on line which is producing savings for the schools in these tough economic times. We are collecting production data and the initial results show a daily production averaging 134 kWh per day and the potential to lower the monthly demand by \$150 per month when the schools peak demand is at the same time as the PV system is in peak production. As a group we estimate the kWh savings for the first half of 2010 to be \$110,500 in kWh reduction and over \$19,000 in reduced demand charges. To demonstrate the impact on one school, set forth below are graphs of before and after the system was activated on June 24, 2009.



- In 2010 one renewable project for the benefit of our members came in the form of a geothermal project that was used to replace the use of natural gas. SSVEC shared this project with three other cooperatives and our share of the RECs for the first half of 2010 was 1,076,507 RECs at a cost of \$0.02204 per REC. The 10 year agreement with Willcox Greenhouse offers a REC price of no more than \$0.045 (per the UCCP guidelines) but the Greenhouse and cooperatives agreed to prorate the 60% cost recover of the PBI over the full 10 years so the RECs produced would have a final cost of something less than the \$0.045 per REC

depending on the production of the geothermal well. The cooperatives worked for more than a year with the customer to reach an agreement that was fair to all parties.

- This project is similar to the RECs received from the burning of agriculture waste to offset natural gas at the Sunizona Greenhouse that delivered 732,000 RECs in 2009. Both these projects are good for the members (low cost RECs) and good for the environment by lower the burning of natural gas.

SSVEC met with Commission Staff in the second quarter of 2010 to discuss what our goals and funding levels should be for our 2011 Plan. Staff was extremely helpful and gave us a clear sense of direction in developing our 2011 Plan.

### **RESERVATION LIST STATUS**

As of June 30, 2010 there are 109 renewable energy systems (82 PV and 27 solar hot water heating) totaling \$1,637,603 that has been installed and are waiting funding. These systems were all installed after SSVEC implemented its reservation system in July 2009.

As of June 30, 2010, there are 155 renewable energy systems (114 residential PV, 20 solar hot water heating, 2 wind, and 19 business PV systems) on the reservation list but not installed, totaling \$4,186,062. 22% of this total is for one low income apartment complex where every apartment will be prewired and plumbed for a PV and solar water system that will be installed when they get to the top of the reservation list. These apartments will be ready for tenants (less the PV and SWH) before the end of 2010.

### **STEPS BY SSVEC TO REDUCE THE RESERVATION LIST**

Since July 2009 and the implementation and notification to our members and installers of the SSVEC Sun Watts reservation list, SSVEC has done several things in order to decrease the projects on the reservation list.

The Cooperative submitted in its proposed 2010 REST plan several months early (July 2009) upon determining that there was an issue with the reservation list. Our 2010 plan, which

was adopted by the Commission in December 2009, increased tariff revenues by \$1,600,000 (over 200%) while decreasing the rebate amounts by 25%. The proposed 2011 Plan increases the collections by \$292,256 (10% increase) and decreases the rebates (33% for residential).

SSVEC hired a professional grant writer (Jay Lane of Jay Lane and Associates) to conduct research on Federal and State funding opportunities. Two grants were secured over the past year that included \$228,000 from the State of Arizona, Distributed Energy Program, which will be used as incentive rebate money for small rural businesses located in SSVEC's service territory. By statute, these funds may be used for new projects. Existing projects or those under construction prior to grant approval were not eligible to participate in the Distributed Energy Program. SSVEC anticipates that it will exhaust this money over the next year providing opportunities for seven small rural businesses that have expressed interest in implementing solar renewable energy projects. One project has already been completed and funds remitted to SSVEC. Additionally, SSVEC received a \$100,000 grant from the U.S. Department of Agriculture (the only electric company in the State of Arizona that received these funds) to implement an Energy Audit and Renewable Energy Assistance project. Although still in development, SSVEC anticipates offering upwards of 250 commercial enterprises in the region with professional consulting services as they seek to develop alternative energy sources for their businesses.

SSVEC also offered the services of its grant writer to work with cities and towns located in its service territory providing them with information and assistance on eligible funding opportunities. The grant writer also assisted community groups and civic organizations that were interested in securing State and Federal support through grants by conducting research and making recommendations. The grant writer met and/or discussed with local government representatives in Sierra Vista, Willcox, Benson and Patagonia, and provided assistance regarding how to access stimulus funds and use SSVEC's rebate programs as leverage to make projects cost-effective. Additionally, the grant writer worked extensively with residents and businesses located in Sonoita, Willcox and Sierra Vista, offering workshops that were attended by local residents and business leaders. The grant writer also attended renewable energy

conferences and provided expert advice and support to those interested in developing funding opportunities. The grant writer worked extensively with businesses in Sonoita reviewing grant applications and making recommendations and conducted a three-hour workshop in Sonoita for residents that were seeking economical solutions to the community's growing energy needs. Finally, the grant writer worked with Cochise College in the development of a grant writing curriculum specifically designed to assist small businesses access Federal funds for the development of renewable energy.

SSVEC worked with the office of our two U.S. Senators, and well as our U.S. Representative, to see if there were any Federal funds or no interest loans that could be used to reduce our reservation list. Unfortunately, for a variety of reasons, we were not able to secure any assistance.

SSVEC met with Commission Staff in the first week of May 2010 in order to begin work on the 2011 Plan to solicit Staff's input. Based on this meeting, the Cooperative began to develop the 2011 Plan in order to submit and implement the new 2011 Plan more quickly.

There are monthly meetings with SSVEC's Finance Department to determine the actual REST collections for the month and pay out this amount. Due the flexibility provided in the 2009 and 2010 plans, we have been able to shift monies from one budget line to another to enable SSVEC to pay the maximum amount in rebates to our members each month. The largest two examples are the loan program which has been under projected versus budget levels and the utility scale renewable energy project (\$650,000 in the budget) which has not started construction. Instead of accumulating these monies, SSVEC has used these funds to increase the residential and commercial rebates paid out. The REST collections are 4.9% higher (on average) than our projections all which help fund incentive payments.

## **KEY ELEMENTS OF 2011 PLAN**

The key elements of the SSVEC 2011 Plan, which was approved by the SSVEC Board of Directors, include the following:

- Lowering the per watt incentive and the incentive caps to bring us in line with the other utilities in the State of Arizona.
- Large scale projects with the PBI could have a devastating effect on our ability to pay past incentives so we included in the 2011 Plan a 50kW limit that we could accept without Commission Staff review of our funding levels to meet the incentive payments from a large project.
- Retaining the \$650,000 for the Clean Renewable Energy Bond (CREB) project that was approved in the 2010 budget but not spent. This project is the approximately one megawatt utility scale PV project that will part of the new Sonoita substation. We estimate that SSVEC will begin construction of this project in mid to late 2011 which will result in the loan repayment starting as loan funds are drawn down. Until the loan repayment starts, SSVEC will continue to use these monies to accelerate incentive repayments.
- Increased the per kWh amount of the surcharge to \$0.00988. In the current economic climate we did not want to increase the collection caps for 2011, especially considering that our 2010 plan increased the caps significantly (268% for our residential members). This small change will increase the collections by just under \$300,000 which was all allocated to increase the funding of residential and small business projects. We have also attached the other alternatives to increase the amount of monies collected that were not selected (See Table #1 attached).
- We are working on a Wheeling Tariff to bring to the Commission so that large scale projects can be located in our service area and SSVEC could provide a path to the energy market via Southwest Transco (which is our only connection to the western grid).

Table # 1

## REST Funding Options Considered

	Submitted	Alternate #1	Alternate #2	Alternate #3	Alternate #4
Rest Surcharge	\$ 0.009880	\$ 0.009880	\$ 0.009880	\$ 0.021086	\$ 0.009880
Res Cap	\$ 3.49	\$3.69	\$ 3.89	\$ 3.49	\$ 5.66
GS	\$ 85.00	\$89.87	\$ 94.74	\$ 85.00	\$ 137.85
Irrigation	\$ 50.00	\$52.87	\$ 55.73	\$ 50.00	\$ 81.09
Rate P & IP	\$ 200.00	\$211.46	\$ 222.92	\$ 200.00	\$ 324.36
3MW + Cap	\$ 300.00	\$317.19	\$ 334.38	\$ 350.00	\$ 486.53
Rest Collection	\$ 3,301,791	\$ 3,412,916	\$ 3,519,553	\$ 4,300,000	\$ 4,300,000
% of Change	10%	13%	17%	43%	43%

2010 Budget \$ 3,009,635

## Percentage reaching cap

Rate R	74.4%	72.3%	70.1%	91.0%	51.5%
Rate G	1.8%	1.6%	1.4%	7.3%	0.4%
Rates I	61.8%	60.8%	59.8%	72.8%	53.3%
Rates P	45.0%	42.3%	39.8%	71.7%	25.1%
rate C	100.0%	100.0%	100.0%	100.0%	100.0%

## Average Charge

Rate R	\$ 3.11	\$3.25	\$3.40	\$ 3.33	\$ 4.47
Rate G	\$ 10.86	\$10.94	\$11.01	\$ 19.41	\$ 11.35
Rates I	\$ 36.50	\$38.25	\$39.98	\$ 39.91	\$ 54.29
Rates P	\$ 139.15	\$144.15	\$148.86	\$ 163.94	\$ 181.24
rate C	\$ 300.00	\$317.19	\$334.38	\$ 350.00	\$ 486.53

## Collected by Rate Class

Rate R	\$ 1,454,465.26	\$1,523,191.01	\$1,589,922.99	\$ 1,559,756.68	\$ 2,092,838.97
Rate G	\$ 961,729.27	\$969,079.11	\$975,438.80	\$ 1,718,690.52	\$ 1,005,472.74
Rates I	\$ 237,628.49	\$249,200.19	\$260,598.05	\$ 258,442.42	\$ 355,244.22
Rates P	\$ 640,767.94	\$663,832.72	\$685,568.02	\$ 754,710.38	\$ 834,767.26
rate C	\$ 7,200.00	\$7,612.61	\$8,025.21	\$ 8,400.00	\$ 11,676.81

Total	\$ 3,301,790.96	\$3,412,915.63	\$3,519,553.07	\$ 4,300,000.00	\$ 4,300,000.00
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Surcharge from .007937 to .00988	Residential cap increased to 3.69 and remaining caps increased by same percentage	Residential cap increased to 3.89 and remaining caps increased by same percentage	Caps remain the same but surcharge increased to reach a 4.3 million total	Surcharge remain the same but Caps raised to reach the 4.3 Million
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